

**Amendment No. 14 to SB0349**

**Cooper J  
Signature of Sponsor**

**FILED**

Date \_\_\_\_\_

Time \_\_\_\_\_

Clerk \_\_\_\_\_

Comm. Amdt. \_\_\_\_\_

**AMEND Senate Bill No. 349\***

**House Bill No. 1781**

by deleting all language after the enacting clause and by substituting instead the following:

**SECTION 1. [Effective 06/30/02]**

**(a)** Tennessee Code Annotated, Section 67-4-2006(b)(1), is amended by inserting the following language as a new item (H) and by relettering the current items accordingly:

(H) Any depreciation permitted as a deduction in computing federal taxable income solely as a result of the provisions of Title 1, Section 101, of the Job Creation and Worker Assistance Act of 2002.

**(b)** Tennessee Code Annotated, Section 67-4-2006(b)(1), is amended by adding the following language as a new, appropriately designated item:

(K) Any tangible expense related to or in connection with a transaction with one or more related members, whether direct or indirect. Nothing in this subitem shall be construed to limit or negate the provisions of §§67-4-2014 or 67-4-2112, where deemed appropriate by the commissioner. For purposes of this item:

(i) "Intangible expense" means expenses related to, or in connection with, directly or indirectly, the acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property to the extent such amounts

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are allowed as deductions or costs in determining federal taxable income for purposes of subsection (a) above.

(ii) "Intangible property" means patents, patent applications, trade names, service marks, franchise rights, copyrights, research, management, consulting or technical expertise, formulas, designs, patterns, processes, formats, accounts or notes receivable, and similar types of intangible assets.

(iii) "Related member" means an individual or entity that, with respect to the taxpayer during all or any portion of the taxable year, is a related entity, as defined in this item, a component member as defined in Section 1563(b) of the Internal Revenue Code, or is an individual or entity to or from whom there is attribution of stock ownership in accordance with Section 1563(e) of the Internal Revenue Code.

(iv) "Related entity" means a:

(a) Stockholder who is an individual, or member of the stockholder's family enumerated in Section 318 of the Internal Revenue Code, if the stockholder and members of the stockholder's family own, directly, indirectly, beneficially

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or constructively, in the aggregate, at least fifty percent (50%) of the value of the taxpayer's outstanding stock;

(b) Stockholder, or a stockholder's partnerships, limited liability companies, estates, trusts, and corporations that own directly, indirectly, beneficially or constructively, in the aggregate, at least fifty percent (50%) of the value of the taxpayer's outstanding stock; or

(c) Corporation, or a party related to the corporation in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of Section 318 of the Internal Revenue Code, if the taxpayer owns, directly, indirectly, beneficially or constructively, at least fifty percent (50%) of the value of the corporation's outstanding stock. The attribution rules on Section 318 of the Internal Revenue Code shall apply for purposes of determining whether the ownership requirements described herein have been met.

Notwithstanding the foregoing, this item (K) shall not apply to the extent that the corresponding item of income was, in the same taxable year, subject to a tax based on or measured by the related

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member's net income in this state, any other state of the United States, or any other country. For purposes of this section, "subject to a tax based on or measured by the related member's net income" means that the receipt of the payment by the recipient related member is reported and included in income for purposes of a tax on net income.

**(c)** Tennessee Code Annotated, Section 67-4-2006(b)(2), is amended by inserting the following language as a new item (I) and by relettering the current items accordingly:

(I) Any depreciation in excess of that which the taxpayer deducted in computing its federal taxable income that could have been deducted in computing such income if the taxpayer had computed its depreciation under the provisions of Section 168 of the Internal Revenue Code as it existed and applied immediately prior to the passage of Title 1, Section 101, of the Job Creation and Worker Assistance Act of 2002.

**(d)** Tennessee Code Annotated, Section 67-4-2007(a), is amended by deleting the words, figure and symbols "six percent (6%) of the net earnings" and by substituting instead the following:

six and one-fourth percent (6.25%) of the net earnings

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**(e)** The provisions of this section of this act shall apply to tax years ending on or after June 30, 2002.

**SECTION 2. [Effective July 1, 2002]**

**(a)** Tennessee Code Annotated, Section 57-3-302, is amended by deleting the section in its entirety and by substituting instead the following language:

**§57-3-302.**

(a) There is levied upon the sale or distribution by sale or gift a tax of one dollar and twenty-one cents (\$1.21) on each gallon of wine, and a like or proportional rate per gallon on wine sold or distributed in any other container of more or less than one (1) gallon; provided, however, that the provisions of this chapter hereof shall not apply to the sale, gift or distribution of any wine manufactured, sold, given away or distributed and used solely for sacramental purposes.

(b) Tennessee Code Annotated, Section 57-6-103(a), is amended by deleting the language "seventeen percent (17%)" and substituting the language eight and one-half percent (8.5%).

(c) Tennessee Code Annotated, Section 57-4-301(c), is amended by deleting the language fifteen percent (15%)" and substituting the language "seven and one-half percent (7.5%)".

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(d) Tennessee Code Annotated, Section 57-5-201(a)(1), is amended by deleting the language "three dollars and ninety cents (\$3.90)" and substituting the language "three dollars and ninety cents (\$3.90) plus the amount per barrel resulting from the reduction in the wholesale tax under Section 57-6-103 by the provisions of this act".

(e) Tennessee Code Annotated, Section 57-3-302(b), is amended by deleting the language "four dollars (\$4.00)" and substituting the language "four dollars (\$4.00) plus the amount per gallon resulting from the reduction in the consumption on the premises tax under Section 57-4-301 by the provisions of this act.

(f) Tennessee Code Annotated, Section 57-6-104(c)(5), is amended by inserting the language "or the state privilege tax levied in Tennessee Code Annotated, Section 57-5-201" immediately following the words "excise tax" in the first sentence.

(g) Tennessee Code Annotated, Section 67-4-1004(a), is amended by deleting the language "six and one-half (6 ½) mills" and by substituting instead the language "ten (10) mills".

(h) Tennessee Code Annotated, Section 67-4-1004, is further amended by adding the following new subsections:

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(c) Notwithstanding any provision of law to the contrary, any increase in revenue generated under Title 67, Chapter 6, Part 2 and Part 7, or any other state or local tax resulting from the increase in the tax levied in subsection (a) from six and one-half (6 ½) mills to ten (10) mills shall be deposited in the general fund and shall not be distributed to county or municipal governments unless specifically authorized by the general appropriations act.

(d) Any wholesale dealers, jobbers, tobacco distributors, and retail dealers having cigarette tax stamps, affixed and unaffixed, in their possession on July 1, 2002, shall not be required to pay the additional cigarette tax on such stamps [resulting from the increase in tax rate from six and one-half (6 ½) mills to ten (10) mills], on cigarettes bearing such stamps.

(i) Tennessee Code Annotated, Section 67-4-1005, is amended by deleting the section in its entirety and by substituting instead the following language:

**§67-4-1005.**

(a) The rate on all other tobacco products, including, but not limited to, cigars, cheroots, stogies, beedies, bidis, manufactured tobacco and snuff of all descriptions whether made of tobacco or any substitute

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therefor, shall be six and six-tenths percent (6.6%) of the wholesale cost price.

(b) Notwithstanding any provision of law to the contrary, any increase in revenue generated under Title 67, Chapter 6, Part 2 and Part 7, or any other state or local tax resulting from the increase in the tax levied in subsection (a) from six percent (6%) to six and six-tenths percent (6.6%) shall be deposited in the general fund and shall not be distributed to county or municipal governments unless specifically authorized by the general appropriations act.

**(j)** Tennessee Code Annotated, Section 67-4-1702(a)(3), is amended by deleting item (C) and by substituting instead the following:

(C) Brokers, affiliate brokers or time-share salespersons, as defined in §62-13-102(2), (3) or (14).

**(k)** Tennessee Code Annotated, Section 67-4-1702(a), is amended by deleting subdivision (4) and by substituting instead the following:

(4) Persons licensed, certified or registered under title 63.

**(l)** Tennessee Code Annotated, Section 67-4-1702(a), is amended by adding the following language as a new, appropriately designated subdivision:

(6) Persons licensed under Title 56, Chapter 6, as:

(A) Insurance agents; and



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(B) Limited insurance representatives.

(m) Tennessee Code Annotated, Section 67-4-1703(a), is amended by deleting the words, figures and symbols "two hundred dollars (\$200) annually." and by substituting instead the following:

three hundred dollars (\$300) annually.

(n) Tennessee Code Annotated, Section 67-4-1703(b), is amended by deleting the subsection in its entirety and by substituting instead the following:

(b) Any person who is licensed, certified or registered for two (2) or more professions taxed pursuant to the provisions of this part shall not be required to pay more than one (1) tax in the amount of three hundred dollars (\$300).

**SECTION 3. [Effective 09/01/02]**

(a) Tennessee Code Annotated, Section 55-4-113(a), is amended by deleting subdivision (1) in its entirety and by substituting instead the following:

(1) Fixed load vehicles, as defined in §55-1-117, so designated and used only for the transportation of equipment that is mounted thereon may be registered at a rate of twenty-five percent (25%) of the tax schedules set forth in subdivision (a)(2).

(b) Tennessee Code Annotated, Section 55-4-113(a), is further amended by deleting subdivision (2) and by substituting instead the following:

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(2) Private Carriers, Public Carriers and Household Goods Carriers:

Every person, firm or corporation operating, for commercial purposes, a freight motor vehicle as herein defined over the roads of the state shall first register such vehicle with the department and shall pay therefor a tax as follows, according to the indicated classes set forth in this subdivision:

(A) Class 1. Freight motor vehicles with declared maximum gross weight, including vehicle and load, of not more than nine thousand pounds (9,000 lbs.). Registration tax.....\$ 48.50

(B) Class 2. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of sixteen thousand pounds (16,000 lbs.). Registration tax..... 102.50

(C) Class 3. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of twenty thousand pounds (20,000 lbs.). Registration tax.....307.50

(D) Class 4. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of twenty six thousand pounds (26,000 lbs.). Registration tax  
.....461.00

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(E) Class 5. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of thirty-two thousand pounds (32,000 lbs.). Registration tax....615.00

(F) Class 6. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of thirty-eight thousand pounds (38,000 lbs.). Registration tax  
.....691.00

(G) Class 7. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of forty-four thousand pounds (44,000 lbs.). Registration tax....768.00

(H) Class 8. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of fifty-six thousand pounds (56,000 lbs.). Registration tax.....922.00

(I) Class 9. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of sixty-six thousand pounds (66,000 lbs.). Registration tax .....999.00

(J) Class 10. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of seventy-four thousand pounds (74,000 lbs.). Registration tax  
.....1,178.50

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(K) Class 11. Freight motor vehicles with declared maximum gross weight, including the weight of vehicle and load, not in excess of eighty thousand pounds (80,000 lbs.). Registration tax..... 1,332.50

(L) Class 12. Fixed load vehicles, as defined in §55-1-117, may be registered at the rate set forth in this subdivision (a)(2);

**(c)** Tennessee Code Annotated, Title 55, Chapter 4, Part 1, is amended by adding the following language as a new, appropriately designated section:

**§55-4-133.** In accordance with the following schedule, a vehicle registration surtax shall be annually levied on each vehicle registered under §55-4-111(a)(1), Classes A, B or C. The vehicle registration surtax shall be collected at the same time and in the same manner as registration taxes levied by §55-4-111(a)(1), Classes A, B and C. Notwithstanding the provisions of any law to the contrary, the vehicle registration surtax shall be deposited in the general fund and shall be allocated exclusively for general state purposes. For purposes of the following schedule, "age of vehicle" shall be based upon the manufacturer's model year designation of the vehicle.

<u>Age of Vehicle</u>	<u>Tax Due</u>
0 – 5 years	\$85.00
6 years – 10 years	75.00

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11 years – 15 years 55.00

16 years – 20 years 35.00

21 years -- 25 years 15.00

Over 25 years 10.00

The rate of tax for Class A motorcycles or autocycles is  
fifteen dollars (\$15.00), regardless of the vehicle's age.

The provisions of this section shall not be construed to apply to any  
vehicle lawfully displaying a special purpose plate issued pursuant to §55-  
4-221.

**(d)**

**(1)** Tennessee Code Annotated, Section 55-6-107(a), is amended  
by deleting the words, figures and symbols "ninety-eight percent (98%)  
thereof to the highway fund" and by substituting instead the following:

sixty-three percent (63%) thereof to the highway fund

**(2)** Tennessee Code Annotated, Section 55-6-107(a), is further  
amended by deleting the words, figures and symbols "two percent (2%)  
thereof to the general fund." and by substituting instead the following:

thirty-seven percent (37%) thereof to the general fund.

**(e)**

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**(1)** Tennessee Code Annotated, Section 67-3-1301(a), is amended by deleting the words, figures and symbols "twenty cents (20¢) per gallon" and by substituting instead the following:

twenty-two cents (22¢) per gallon

**(2)** Tennessee Code Annotated, Section 67-3-1302(a), is amended by deleting the words, figures and symbols "seventeen cents (17¢) per gallon" and by substituting instead the following:

nineteen cents (19¢) per gallon

**SECTION 4. [Effective 09/1/02]**

**(a)** Tennessee Code Annotated, Section 67-6-101, is amended by adding the following sentence to the end of the section:

Except to the extent otherwise required by the provisions of §67-6-228 and 67-6-103(g), the tax imposed by this chapter is a state tax for state purposes only, and no county or municipality or taxing district shall have power to levy any like tax.

**(b)** Tennessee Code Annotated, Section 67-6-102, is amended by inserting the following language as a new, appropriately numbered subsection:

(\_) "Single article" means that which is regarded by common understanding as a separate unit exclusive of any accessories, extra parts, etc., and that which is capable of being sold as an independent unit

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or as a common unit of measure, a regular billing or other obligation. Such independent units sold in sets, lots, suites, etc., at a single price shall not be considered a single article. Parts or accessories for motor vehicles that are installed at the factory and delivered with the unit as original equipment and/or parts or accessories for motor vehicles that are installed by the dealer and/or distributor prior to sale, at the time of the sale, or which are included as part of the sales price of the vehicle shall be treated as a part of the unit. In addition, all necessary parts and equipment installed by a motor vehicle dealer which are essential to the functioning of the motor vehicle or are required to be installed on the motor vehicle prior to sale to the ultimate consumer pursuant to state or federal statutes relating to the lawful use of the motor vehicle shall be treated as a part of the unit. Boat motors, other parts or accessories for boats, freight, and labor, excluding trailers, shall be treated as part of the boat unit in the same manner as parts or accessories for motor vehicles are treated as part of the motor vehicle unit. Parts and accessories and any other additional or incidental items or services that are part of the sale of a manufactured home shall be treated as part of the manufactured home unit in the same manner as parts and accessories for motor vehicles are treated as part of the motor vehicle unit.

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**(c)** Tennessee Code Annotated, Section 67-6-103, is amended by adding the following language as a new subsection (g)

(g)

(1) Notwithstanding any provision of law to the contrary, in accordance with estimates developed by the department of revenue pursuant to subdivision (c)(2) of this section of this act, a sum shall be earmarked and allocated from the general fund each fiscal year in order to substantially reimburse a municipality or public authority for loss of revenue, pursuant to §7-88-106, resulting from amendments to Title 67, Chapter 6, provided in this act; provided, however, the provisions of this subsection shall only apply to ongoing financing agreements entered into by a municipality or public authority on or before June 30, 2002.

(2) For fiscal year 2002-2003 and for each fiscal year thereafter, for each affected municipality or public authority, the department of revenue shall estimate the reduction of revenue, pursuant to §7-88-106, resulting from amendments to Title 67, Chapter 6, provided in this act. In calculating such estimate, the department shall utilize the various tax rates and statutory restrictions in effect on June 30, 2002. The department may



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require and utilize any other reports, data or information that the department deems relevant or necessary for purposes of developing such estimate. In accordance with such estimate each year, there shall be allocated for each affected municipality or public authority an amount of revenue substantially equal to the amount of revenue that would have been received pursuant to §7-88-106, during the fiscal year, in the absence of amendments to Title 67, Chapter 6, provided in this act.

**(d)** Tennessee Code Annotated, Title 67, Chapter 6, Part 2, is amended by adding the following language as a new, appropriately designated section:

**§67-6-228.**

(a) Notwithstanding any provision of this act or any other law to the contrary, the existence and rate of any tax imposed under Title 67, Chapter 6, Part 2, as of June 30, 2002, shall remain undiminished by the provisions of this act to the extent that such taxes are to be distributed pursuant to §67-6-103(d) under an ongoing financing arrangement in effect as of June 30, 2002.

(b) Notwithstanding any provision of this act or any other law to the contrary, the existence and rate of any tax imposed under Title 67, Chapter 6, Part 7, as of June 30, 2002, shall remain undiminished by the

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provisions of this act to the extent that such taxes are to be distributed pursuant to §67-6-103(d) under an ongoing financing arrangement in effect as of June 30, 2002.

**(e)**

**(1)** Tennessee Code Annotated, Sections 67-6-103(a)(3)(A), (a)(3)(B)(i) and (a)(3)(E), are amended by deleting the words, figures and symbols "four and fifty-nine hundred twenty-five ten-thousands percent (4.5925%)" and by substituting instead the following:

three and seventy-four hundred thirty-seven ten-thousandths percent (3.7437%)

**(2)** Notwithstanding any provision of this act to the contrary, in accordance with the provisions of Title 4, Chapter 5, the department of revenue is authorized by rule to temporarily adjust and correct the local-share rate, otherwise established by subsection (a), as may be necessary to ensure that subsection (a) produces, for fiscal year 2002-2003, local-share revenues approximately equal to local-share revenues produced pursuant to §67-6-103(a) during fiscal year 2001-2002. **If** any such adjustment and correction is made for fiscal year 2002-2003, **then** the department shall timely submit to the general assembly recommended

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amendments to §67-6-103(a), if any, as may be needed for fiscal years beginning on or after July 1, 2003.

**(3)** Tennessee Code Annotated, Section 67-6-103, is amended by deleting subsection (f).

**(f)**

**(1)** Tennessee Code Annotated, Section 67-6-202(a), is amended by deleting the words, figure and symbols "six percent (6%)" and by substituting instead the following:

eight and three-fourths percent (8.75%)

**(2)** Tennessee Code Annotated, Section 67-6-203(a), is amended by deleting the words, figure and symbols "six percent (6%)" and by substituting instead the following:

eight and three-fourths percent (8.75%)

**(3)**

(A) Tennessee Code Annotated, Sections 67-6-204(a)(1), (a)(2) and (c)(1), are amended by deleting the words, figure and symbols "six percent (6%)" and by substituting instead the following:

eight and three-fourths percent (8.75%)

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(B) Tennessee Code Annotated, Sections 67-6-204(b), is amended by deleting the subsection in its entirety.

**(4)**

(A) Tennessee Code Annotated, Section 67-6-205(a), is amended by deleting the words, figure and symbols "six percent (6%)" and by substituting instead the following:

eight and three-fourths percent (8.75%)

(B) Tennessee Code Annotated, Section 67-6-205, is amended by adding the following language as a new, appropriately designated subsection:

(c) In addition to those services subject to taxation pursuant to subsection (a) on August 31, 2002, tax at the rate set forth in subsection (a) shall also be levied on the following services, regardless of the location of the service provider's place of business, whenever a charge is imposed for performance of the following services within the boundaries of this state:

(1) Disinfecting and pest control services to dwellings and other buildings; and

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(2) Cleaning and maintenance services to  
dwellings and other buildings.

**(g)** Tennessee Code Annotated, Section 67-6-212(a), is amended by  
adding the following language as a new, appropriately designated subdivision:

(5) Charges made for the privilege of obtaining any form of  
amusement, entertainment, music or game by use of any machine or  
device; provided that, for purposes of this item "charges" shall mean the  
amount of money deposited into the machine or device; and

**(h)** Tennessee Code Annotated, Section 67-6-221(a), is amended by  
deleting the words, figure and symbols "six (6%)" and by substituting instead the  
following:

eight and three-fourths percent (8.75%)

**(i)**

**(1)** Tennessee Code Annotated, Section 67-6-226, is amended by  
deleting the words, figures and symbols "eight and one-quarter percent  
(8.25%)" and by substituting instead the following:

eight and three-fourths percent (8.75%)

**(2)** Tennessee Code Annotated, Section 67-6-226, is further  
amended by deleting the following language:

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, except such state tax shall not apply to television programming or television service charges or fees in an amount less than fifteen dollars (\$15.00) provided by a cable television service provider authorized pursuant to Title 7, Chapter 59, or by a provider of wireless cable television services (multipoint distribution service/multichannel multipoint distribution service) offered for public consumption

**(3)** Tennessee Code Annotated, Section 67-6-227, is amended by deleting the words, figures and symbols "eight and one-quarter percent (8.25%)" and by substituting instead the following:

eight and three-fourths percent (8.75%)

**(j)** Tennessee Code Annotated, Title 67, Chapter 6, Part 2, is amended by adding the following language as new, appropriately designated sections:

**§67-6-229.** Notwithstanding any provision of this chapter or any other law the contrary, sales and use tax levied by this chapter at the rate of eight and three-fourths percent (8.75%) shall apply to the first three thousand two hundred dollars (\$3,200) of the sales price of each single article; **provided, however, if** any portion of the sales price of such single article exceeds three thousand two hundred dollars (\$3,200), **then** such

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excess portion of the sales price shall be taxed at the rate of six percent (6%).

**67-6-230.** Notwithstanding the provisions of this Section 4 of this act to the contrary, sales to or use by a contractor, subcontractor, or material vendor of tangible personal property, including rentals thereof and labor or services performed in the fabrication, manufacture, delivery, or installation of such tangible personal property when such property is sold or used solely in performance of a lump sum or unit price construction contract entered into prior to June 15, 2002, or awarded by the state or a political subdivision pursuant to a bid opening which occurred prior to June 15, 2002, shall be subject to tax at the state rate of six percent (6%) plus the local option sales tax rate in effect or operative on June 1, 2002, in the county or municipality in which the property is sold or used. In addition, sales to or use by a subcontractor of tangible personal property, including rentals thereof and labor or services performed in the fabrication, manufacture, delivery, or installation of such tangible personal property when such property is sold or used solely in performance of a written subcontract entered into prior to September 1, 2002, if such subcontract is made pursuant to a general contract qualifying for the reduced rate of tax as set out above, shall be subject to tax at the rate of six percent (6%)

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plus the local option sales tax rate in effect or operative on June 1, 2002, in the county or municipality in which the property is sold or used. Any vendor making such sales to any such contractor or subcontractor shall collect tax at the rate set in this Section 4 item (f) during the time that such rate is in effect. Any such contractor or subcontractor paying the rate set in such items may then file a claim with the commissioner of revenue for a refund of any such tax paid to any of the contractor's vendors at a rate in excess of six percent (6%) plus the local option sales tax rate in effect or operative on June 1, 2002, in the county or municipality in which the property is sold or used. For purposes of this subsection the term "lump sum or unit price construction contract" means a written contract for the construction of improvements to real property under which the amount payable to the contractor, subcontractor or material vendor is fixed without regard to the costs incurred in the performance of the contract. The provisions of this paragraph shall not be construed to increase the rate of tax imposed pursuant to the provisions of Tennessee Code Annotated, Section 67-6-206.

**(k)** Tennessee Code Annotated, Section 67-6-351, is amended by deleting the section in its entirety.

**(l)**



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**(1)** Except to the extent otherwise required by the provisions of §§67-6-228 and 67-6-103(g), Tennessee Code Annotated, Title 67, Chapter 6, is amended by deleting §§67-6-701 through 67-6-710, 67-6-713 and 67-6-714 for transactions occurring on or after September 1, 2002.

**(2)** Tennessee Code Annotated, Section 67-6-712(a), is amended by deleting the words and punctuation "The tax levied by a county under this part shall be distributed as follows:" and by substituting instead the following:

Estimates, distributions and expenditures of proceeds pursuant to §67-6-715(b) shall be subject to the following requirements:

**(3)** Tennessee Code Annotated, Title 67, Chapter 6, Part 7, is amended by adding the following language as a new, appropriately designated section:

**§ 67-6-715.**

(a) Notwithstanding any provision of law to the contrary, in accordance with estimates developed by the department of revenue pursuant to subsection (b), a sum shall be earmarked and allocated from the general fund each fiscal year in order to substantially reimburse counties and

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municipalities for loss of revenue resulting from amendments to Title 67, Chapter 6, Part 7, provided in this section of this act.

(b) For fiscal year 2002-2003 and for any subsequent fiscal year during which this section is effective, the department of revenue shall estimate for each county and municipality the loss of local option sales tax revenue resulting from amendments to Title 67, Chapter 6, Part 7, provided in this section of this act. In calculating such estimate, the department shall utilize the local option sales tax rate in effect in such county or municipality on May 15, 2002; as well as the single article cap imposed by §67-6-702(a)(1) on May 15, 2002; as well as the local tax rate allocation in effect in such county or municipality on August 31, 2002, pursuant to the provisions of Sections 9 and 10 of Chapter No. 719 of the Public Acts of 2002; as well as the provisions of §§6-51-115, 67-6-228 and 67-6-103(g). The department may also require and utilize any reports, data or other information that the department deems relevant or necessary for developing such estimates. In accordance

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with such estimate and subject to the provisions of subsection (c) and §67-6-712, each county and municipality shall receive an amount that is approximately equal to the amount of local option sales tax that the county or municipality would have received during the fiscal year, in the absence of this section of this act. It is the legislative intent that distributions made pursuant to this subsection shall be subject to the distribution and expenditure requirements of §67-6-712.

(c) From the sum earmarked, allocated and distributed each fiscal year to counties and municipalities pursuant to this section, one and one hundred twenty-five thousandths percent (1.125%) shall be retained by the department of revenue to cover the state's expenses in implementing and administering the provisions of this section and in distributing such funds to counties and municipalities.

SECTION 5. Tennessee Code Annotated, Section 67-6-102(24), is amended by inserting in the first sentence of subdivision (E) the language "retail sale" between the language "Sale at retail," and "use,".

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Tennessee Code Annotated, Section 67-6-102(24), is further amended by inserting in the first sentence of subdivision (E) the language "rental," between the language "do not include the sale, use," and the language "storage or consumption of:".

Tennessee Code Annotated, Section 67-6-102(24), is further amended by adding to subdivision (E) the following new subitem:

(v) Leased motor vehicles provided by a franchised motor vehicle dealer at no charge or cost to such dealer's customer whose motor vehicle is undergoing repairs by such dealer under the manufacturer or distributor's warranty or under an extended service contract, or to a customer whose vehicle is undergoing repairs other than under an express warranty or extended service contract, provided that such customer is provided the use of the vehicle at no charge or cost for the purpose of promoting goodwill or good customer relations.

This section shall take effect upon becoming a law, the public welfare requiring it and shall apply to all taxes imposed pursuant to §67-6-102, but not collected on the effective date of this act.

SECTION 6. Tennessee Code Annotated, Section 67-6-102(24)(x), is amended by adding the following language:

And further provided that separate extended warranty or services contracts provided directly or indirectly by the manufacturer of a motor vehicle which extend the term and length of the manufacturer's customary vehicle warranty at no additional cost to the ultimate purchaser, shall not be subject to tax, and any repairs to the extent covered by such extended contract shall be

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considered as covered by the manufacturer's customary vehicle warranty  
contract and also shall not be subject to tax;

This section shall take effect upon becoming a law, the public welfare requiring it,  
and shall apply to all taxes imposed with reference to the definitions contained in Section  
67-6-102, but not collected on the effective date of this act.

**SECTION 7.** Notwithstanding any provision of law to the contrary, the  
commissioner of revenue is authorized to waive tax liability and associated  
interest and penalties otherwise imposed pursuant to Section 1 or Section 2 of  
this act, but only to the extent that the taxpayer or vendor can demonstrate, to  
the commissioner's satisfaction, that the taxpayer's or vendor's noncompliance  
with the requirements of Section 1 or Section 2 unavoidably and directly resulted  
from the close proximity of the passage date of this act and the effective date of  
Section 1 or Section 2.

**SECTION 8.** If any provision of this act or the application thereof to any  
person or circumstance is held invalid, such invalidity shall not affect other  
provisions or applications of the act which can be given effect without the invalid  
provision or application, and to that end the provisions of this act are declared to  
be severable.

**SECTION 9.**

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(a) Section 1 of this act shall take effect on June 30, 2002, the public welfare requiring it.

(b) Section 2 of this act shall take effect on July 1, 2002, the public welfare requiring it.

(c) Section 3 of this act shall take effect on September 1, 2002, the public welfare requiring it.

(d) Section 4 of this act shall take effect on September 1, 2002, the public welfare requiring it.

(e) All remaining provisions of this act shall take effect on becoming a law, the public welfare requiring it unless a provision contains a specific effective date which is different.